STATE OF IOWA

THOMAS J. VILSACK , GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

IOWA DEPARTMENT OF COMMERCE
CREDIT UNION DIVISION
JAMES E. FORNEY
SUPERINTENDENT

INTERPRETIVE BULLETIN

DATE: March 1, 1997

TO: All State Chartered Credit Unions

FROM: James E. Forney
Superintendent of Credit Unions

SUBJECT: Board of Director Borrowing From a Credit Union

During the 1996 Legislative Session, Iowa Code section 533.16(3) was amended to change much of the restrictive language previously in place regarding Board of Director borrowing. Eliminated was the language requiring Board approval of the application and the requirement for submission of a detailed financial statement. Additionally, the amendment changes the aggregate of director borrowing to an amount which is higher than 20 percent of credit union assets.

The amendment, which became effective July 1, 1996, reads as follows:

> ***533.16(3)*** *"A director of a credit union may borrow from that credit union under the provisions of this chapter, but the rates, terms and conditions of a loan or line of credit either made to or endorsed or guaranteed by the directors shall not be more favorable than the rates, terms or conditions of comparable loans or lines of credit provided to other members. The aggregate amount of all director loans and lines of credit shall not exceed twenty-five percent of the assets of the credit union."*

Director loans will continue to be a review item during all Credit Union Division examinations. If it is determined that loans made to or endorsed or guaranteed by a director are more favorable than comparable loans to other members, administrative action may result, including, but not limited to, monetary penalties as provided by Iowa Code subsection 533.16(8) and/or notice and hearing for removal of the director from office as provided by Iowa Code subsection 533.6(5).

(This Bulletin replaces the Interpretive Bulletin, same subject, dated March 11, 1993 unrevised.)